

**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM**

**BOARD OF ADMINISTRATION**

**INVESTMENT COMMITTEE**

**December 15, 2008**

**Chief Investment Officer's**

**Consolidated Investment Activity Report**

**(October 2008 Reporting Period)**

## CalPERS Asset Allocation – October 31, 2008

### General Market Commentary

October ended as one of the worst months in history for global markets as no asset class except cash was immune from the market fallout. The US government passed a \$700 billion bailout plan on Oct. 2<sup>nd</sup> to help ease the financial crisis. On Oct. 8<sup>th</sup> major central banks cut their respective key rates by 50 bps in a coordinated effort to stem the crisis. The US Federal Reserve cut rates an additional 50 bps at the end of the month, sending the key rate to 1.00%. Crude oil prices continued to fall from July's record high of \$146 per barrel, ending the month just under \$68 per barrel.

### Domestic and International Equities

The S&P 500 returned -16.80% for the month. Small-cap stocks, as measured by the Russell 2000 Index, were down -20.80%. Large-cap growth and value stocks saw similar declines in October with growth stocks returning -17.61% versus value's return of -17.31% (as measured by the Russell 1000 Growth and Value). International equities declined in October, with the MSCI EAFE down -20.17% in dollar terms (down -15.53% in local currency). Emerging markets fell -27.35% (as measured by the MSCI EM Index) during the month, while down -53.05% year-to-date.

### Domestic and International Fixed Income

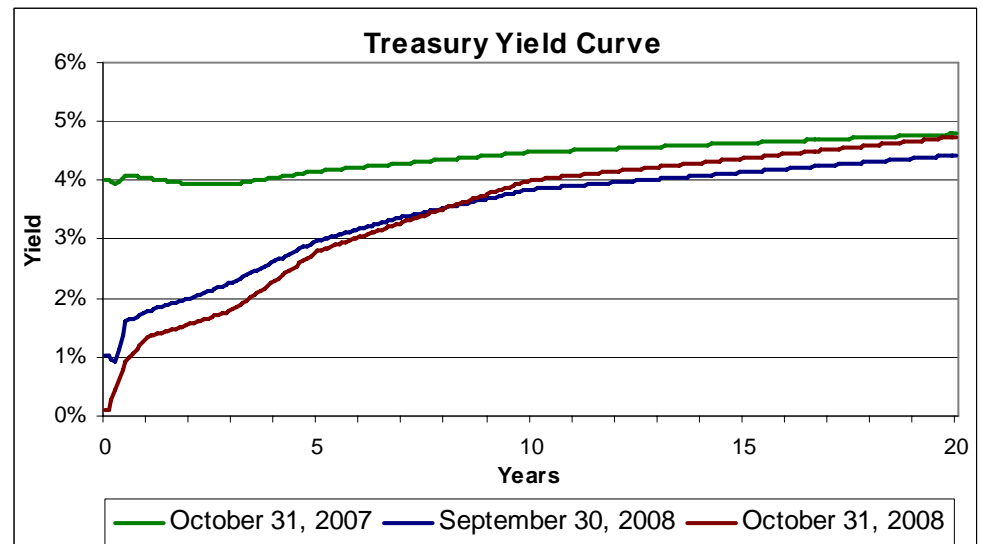
The yield curve steepened as demand for short-term, safe haven government bonds increased during the month. The Barclays Capital Aggregate Bond Index returned -2.36% for October, underperforming the US Treasury return of 0.67% (as measured by BC Treasury Intermediate Term Index). US TIPS were down -8.69% (BC US TIPS Index) during October. The high yield bond market returned -16.30% during the month, as measured by the Merrill Lynch High Yield Master II Index. International fixed income markets returned -2.54%, as measured by the Citigroup World Government Bond Index ex US (unhedged).

### Real Estate

Real estate (as measured by the MSCI US REIT Index) was negative for the month, down -31.81% in October. The NCREIF Index of Real Estate Properties returned a negative -0.17% for the quarter ended September 2008.

### Private Equity and Absolute Return Strategies

The Venture Economics All Private Equity Index returned 3.26% for the 12 months ended June 2008 and 12.93% for the 10 years ended June 2008. Absolute Return Strategies (CSFB/Tremont Hedge Fund Index) returned -6.30% in October and -16.17% for the 12 months ended October 2008.



| MARKET INDICATORS         | 10/31/2007 | Direction | 9/30/2008 | Direction | 10/31/2008 |
|---------------------------|------------|-----------|-----------|-----------|------------|
| 1m LIBOR (fixed in \$)    | 4.71%      | ▼         | 3.93%     | ▼         | 2.58%      |
| Federal Funds             | 4.50%      | ▼         | 2.00%     | ▼         | 1.00%      |
| 10Y Treasury Note Yield   | 4.47%      | ▼         | 3.83%     | ▲         | 3.97%      |
| 30Y Treasury Bond Yield   | 4.75%      | ▼         | 4.30%     | ▲         | 4.37%      |
| DJ-Wilshire 5000 Comp     | 15,594.91  | ▼         | 11,826.00 | ▼         | 9,732.07   |
| S&P 500                   | 1,549.38   | ▼         | 1,164.74  | ▼         | 968.75     |
| NASDAQ Composite          | 2,859.12   | ▼         | 2,091.88  | ▼         | 1,720.95   |
| FTSE 100 Index            | 6,721.60   | ▼         | 4,902.50  | ▼         | 4,377.30   |
| Nikkei 225 Index          | 16,737.63  | ▼         | 11,259.86 | ▼         | 8,576.98   |
| Yen/\$ (Dollar Strength)  | 115.270    | ▼         | 105.940   | ▼         | 98.280     |
| Euro/\$ (Dollar Strength) | 0.691      | ▲         | 0.710     | ▲         | 0.789      |
| GBP/\$ (Dollar Strength)  | 0.481      | ▲         | 0.562     | ▲         | 0.619      |
| Crude Oil per Barrel      | \$ 94.53   | ▲         | \$ 100.64 | ▼         | \$ 67.81   |
| Gold (\$/oz Daily Spot)   | \$ 789.50  | ▲         | \$ 884.50 | ▼         | \$ 730.75  |
| GS Commodities TR Index   | 7,330.34   | ▲         | 7,538.31  | ▼         | 5,412.61   |

Note: Starting with the October 2008 report, the S&P GSCI Total Return Index values are used in this analysis. In previous reporting periods, Price Return Index values were used.

## CalPERS Asset Allocation – October 31, 2008

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### Summary

- Total Fund Market Value was \$186.7 Billion
- Total Fund Book Value was \$200.2 Billion
- As of October 31, 2008 the Global Equity, AIM and Cash asset classes were outside their Strategic Target Policy Ranges. The CalPERS Statement of Investment Policy for Asset Allocation Strategy, Section VI. B anticipates that in times of extreme market volatility, allocations may temporarily fall outside their ranges.

### Book to Market Value Comparison

|                              | Book Value<br>(\$ Billion) | Market Value<br>(\$ Billion) | Difference (Market – Book)<br>(\$ Billion) |
|------------------------------|----------------------------|------------------------------|--|
| Domestic Equity <sup>1</sup> | \$38.2                     | \$43.0                       | \$4.8                                      |
| International Equity         | \$50.9                     | \$35.9                       | \$-15.0                                    |
| <b>Global Equity</b>         | <b>\$89.0</b>              | <b>\$78.8</b>                | <b>\$-10.1</b>                             |
| Domestic Fixed Income        | \$38.7                     | \$36.9                       | \$-1.8                                     |
| International Fixed Income   | \$4.2                      | \$4.1                        | \$-0.2                                     |
| <b>Global Fixed Income</b>   | <b>\$43.1</b>              | <b>\$41.0</b>                | <b>\$-2.1</b>                              |
| <b>AIM</b>                   | <b>\$26.4</b>              | <b>\$26.1</b>                | <b>\$-0.3</b>                              |
| <b>Real Estate</b>           | <b>\$20.4</b>              | <b>\$20.9</b>                | <b>\$0.5</b>                               |
| <b>Inflation Linked</b>      | <b>\$4.7</b>               | <b>\$3.7</b>                 | <b>\$-1.0</b>                              |
| <b>Cash Equivalents</b>      | <b>\$16.7</b>              | <b>\$16.2</b>                | <b>\$-0.5</b>                              |
| <b>Total Fund</b>            | <b>\$200.2</b>             | <b>\$186.7</b>               | <b>\$-13.5</b>                             |

<sup>1</sup> Included is MDP Investment - LM Capital Investment: Total Book Value=**\$208.1 million**, Total Market Value=**\$196.6 million**.

\* Figures for this report are rounded for viewing purposes. Calculations are based on actual values. When summing net amounts on this report, there may be breakage.

### Top Company Exposures

- As a very significant institutional investor, CalPERS has large exposures to the securities of many corporations either through internal or externally managed portfolios. Consistent with board requested information and in support of the Board of Administration's oversight role, a schedule of the top 20 company exposures is prepared for informational purposes and can be found on Page 4.

## CalPERS Total Fund Top 20 Company Exposures

Based on Total Market Values as of 10/31/2008

| Company Name                    | Equity Exposure              |               |                              | Total Equity<br>Market Value | Fixed Income Exposure |            |                             | Total FI<br>Market Value | Real Estate<br>Exposure <sup>(1)</sup> | TOTAL<br>Market Value | % of Total<br>Fund <sup>(3)</sup> |
|---------------------------------|------------------------------|---------------|------------------------------|------------------------------|-----------------------|------------|-----------------------------|--------------------------|--|-----------------------|-----------------------------------|
|                                 | Internally Managed<br>Active | Passive       | Externally Managed<br>Active |                              | Internal              | External   | Sec. Lending <sup>(2)</sup> |                          |  |                       |                                   |
| EXXON MOBIL CORP                | 480,955,193                  | 3,881,721,324 | 628,725,568                  | 4,991,402,085                |                       |            |                             | 0                        |  | 4,991,402,085         | 2.67%                             |
| GENERAL ELECTRIC                | 263,976,621                  | 1,971,761,762 | 281,454,616                  | 2,517,192,999                | 440,407,916           | 15,261,105 | 677,442,365                 | 1,133,111,386            |  | 3,650,304,385         | 1.59%                             |
| PROCTER + GAMBLE CO             | 263,634,541                  | 1,983,684,660 | 248,532,955                  | 2,495,852,156                |                       |            |                             | 0                        |  | 2,495,852,156         | 1.34%                             |
| MICROSOFT CORP                  | 188,882,056                  | 1,839,191,693 | 354,129,235                  | 2,382,202,984                |                       |            |                             | 0                        |  | 2,382,202,984         | 1.28%                             |
| WAL MART STORES INC             | 282,721,405                  | 1,405,821,530 | 311,098,496                  | 1,999,641,431                | 124,907,327           |            |                             | 124,907,327              | 42,279,000                             | 2,166,827,758         | 1.16%                             |
| AT&T INC                        | 192,049,586                  | 1,581,612,290 | 262,729,453                  | 2,036,391,329                | 124,014,911           |            |                             | 124,014,911              |  | 2,160,406,240         | 1.16%                             |
| JOHNSON + JOHNSON               | 162,811,327                  | 1,757,732,050 | 214,778,084                  | 2,135,321,461                |                       |            |                             | 0                        |  | 2,135,321,461         | 1.14%                             |
| BANK OF AMERICA CORP            | 186,462,559                  | 1,242,085,182 | 228,341,144                  | 1,656,888,885                | 434,211,413           | 32,866,322 |                             | 467,077,735              |  | 2,123,966,620         | 1.14%                             |
| CHEVRONTXACO CORP               | 201,699,302                  | 1,569,404,960 | 310,204,704                  | 2,081,308,966                |                       |            |                             | 0                        |  | 2,081,308,966         | 1.11%                             |
| JPMORGAN CHASE & CO             | 181,074,465                  | 1,422,148,173 | 293,322,885                  | 1,896,545,523                | 129,167,493           | 5,032,355  |                             | 134,199,848              |  | 2,030,745,371         | 1.09%                             |
| ROYAL DUTCH SHELL               |                              | 1,428,948,229 | 486,084,575                  | 1,915,032,804                |                       |            |                             | 0                        |  | 1,915,032,804         | 1.03%                             |
| HSBC HOLDINGS PLC               |                              | 1,241,684,806 | 448,464,941                  | 1,690,149,747                |                       | 20,753,634 |                             | 20,753,634               |  | 1,710,903,381         | 0.92%                             |
| HOME DEPOT INC.                 | 722,596,141                  | 367,319,890   | 500,175,436                  | 1,590,091,467                | 52,742,047            |            |                             | 52,742,047               |  | 1,642,833,514         | 0.88%                             |
| BERKSHIRE HATHAWAY              | 109,076,160                  | 1,372,945,120 | 17,218,560                   | 1,499,239,840                | 105,741,487           |            |                             | 105,741,487              |  | 1,604,981,327         | 0.86%                             |
| NESTLE SA                       |                              | 1,272,199,322 | 328,153,692                  | 1,600,353,014                |                       |            |                             | 0                        |  | 1,600,353,014         | 0.86%                             |
| CITIGROUP INC                   | 95,194,336                   | 745,135,755   | 119,463,162                  | 959,793,253                  | 342,997,416           | 11,830,462 | 255,905,073                 | 610,732,951              |  | 1,570,526,204         | 0.70%                             |
| INTERNATIONAL BUSINESS MACHINES | 80,474,088                   | 1,223,818,033 | 240,259,396                  | 1,544,551,517                |                       | 2,888,266  |                             | 2,888,266                |  | 1,547,439,783         | 0.83%                             |
| PFIZER INC                      | 153,259,011                  | 1,195,364,078 | 188,445,380                  | 1,537,068,469                |                       |            |                             | 0                        |  | 1,537,068,469         | 0.82%                             |
| BP PLC                          |                              | 1,297,388,217 | 226,398,296                  | 1,523,786,513                |                       |            |                             | 0                        |  | 1,523,786,513         | 0.82%                             |
| ENI                             | 451,142,006                  | 540,384,832   | 523,260,509                  | 1,514,787,347                |                       |            |                             | 0                        |  | 1,514,787,347         | 0.81%                             |

(1) Real Estate exposure data only includes the 20 companies with the highest annual lease revenues for each core partnership, excludes properties in escrow. The market value exposures are calculated based only on two years of expected lease revenues.

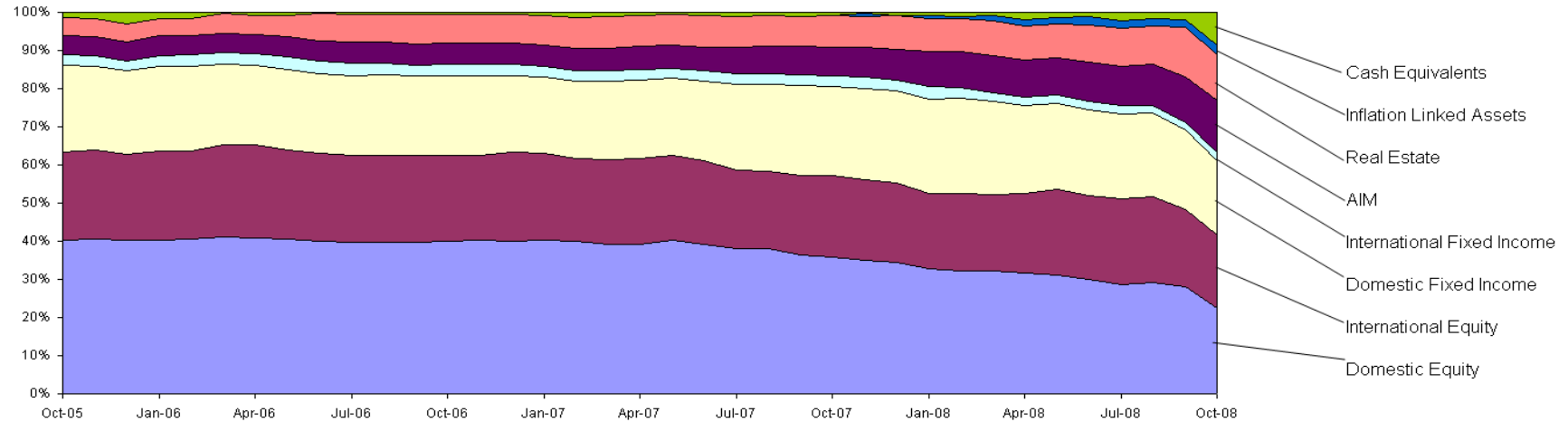
(2) Does not include Repos

(3) Excludes securities lending exposure

# CalPERS

## Asset Allocation as of October 31, 2008

Total Fund Market Value: **\$186,678,740,375**



|  | Global Equity   | Domestic Equity | International Equity | Global Fixed  | Domestic Fixed | International Fixed | AIM          | Real Estate  | Inflation Linked | Cash Equivalents <sup>2,3</sup> | Total Fund |
|--|-----------------|-----------------|----------------------|---------------|----------------|---------------------|--------------|--------------|------------------|---------------------------------|------------|
| <b>Strategic Target Range %</b>                      | <b>51-61%</b>   |                 |                      | <b>14-24%</b> |                |                     | <b>7-13%</b> | <b>7-13%</b> | <b>0-5%</b>      |                                 |            |
| Strategic Target %                                   | 56.0%           | 28.0%           | 28.0%                | 19.0%         | 17.0%          | 2.0%                | 10.0%        | 10.0%        | 5.0%             | 0.0%                            | N/A        |
| Actual Investment %                                  | 42.2%           | 23.0%           | 19.2%                | 21.9%         | 19.8%          | 2.2%                | 14.0%        | 11.2%        | 2.0%             | 8.7%                            | N/A        |
| <b>Variance % (Strategic vs. Actual)</b>             | <b>(13.8%)</b>  | <b>(5.0%)</b>   | <b>(8.8%)</b>        | <b>2.9%</b>   | <b>2.8%</b>    | <b>0.2%</b>         | <b>4.0%</b>  | <b>1.2%</b>  | <b>(3.0%)</b>    | <b>8.7%</b>                     | N/A        |
| Strategic Target \$ <sup>1</sup>                     | \$104.5         | \$52.3          | \$52.3               | \$35.5        | \$31.7         | \$3.7               | \$18.7       | \$18.7       | \$9.3            | \$0.0                           | \$186.7    |
| Actual Investment \$ <sup>1</sup>                    | \$78.8          | \$43.0          | \$35.9               | \$41.0        | \$36.9         | \$4.1               | \$26.1       | \$20.9       | \$3.7            | \$16.2                          | \$186.7    |
| <b>Variance \$(Strategic vs. Actual)<sup>1</sup></b> | <b>(\$25.7)</b> | <b>(\$9.3)</b>  | <b>(\$16.4)</b>      | <b>\$5.5</b>  | <b>\$5.2</b>   | <b>\$0.3</b>        | <b>\$7.4</b> | <b>\$2.2</b> | <b>(\$5.6)</b>   | <b>\$16.2</b>                   | N/A        |
| % Passive  | 61.0%           | 63.9%           | 57.6%                | 0.0%          | 0.0%           | 0.0%                | 0.0%         | (0.0%)       | 0.0%             | 0.0%                            | 25.8%      |
| % Active   | 39.0%           | 36.1%           | 42.4%                | 100.0%        | 100.0%         | 100.0%              | 100.0%       | 100.0%       | 100.0%           | 100.0%                          | 74.2%      |
| % Internal   | 70.1%           | 71.9%           | 67.9%                | 87.6%         | 97.2%          | 0.0%                | 0.0%         | (0.0%)       | 53.8%            | 100.0%                          | 58.6%      |
| % External   | 29.9%           | 28.1%           | 32.1%                | 12.4%         | 2.8%           | 100.0%              | 100.0%       | 100.0%       | 46.2%            | 0.0%                            | 41.4%      |

\* Figures for this report are rounded for viewing purposes. Calculations are based on actual values.

\* When summing amounts on this report, there may be breakage.

\* MDP Venture accounts included in MDP's primary asset class. MDP Fixed and CalPERS Hedge Fund roll to External Domestic Equity.

<sup>1</sup> (\$ Billion)

<sup>2</sup> Approximately \$3.0 Billion notional in Equity Futures were purchased to equitize cash.

<sup>3</sup> Includes approximately \$12.5 Billion in Treasury Bills.

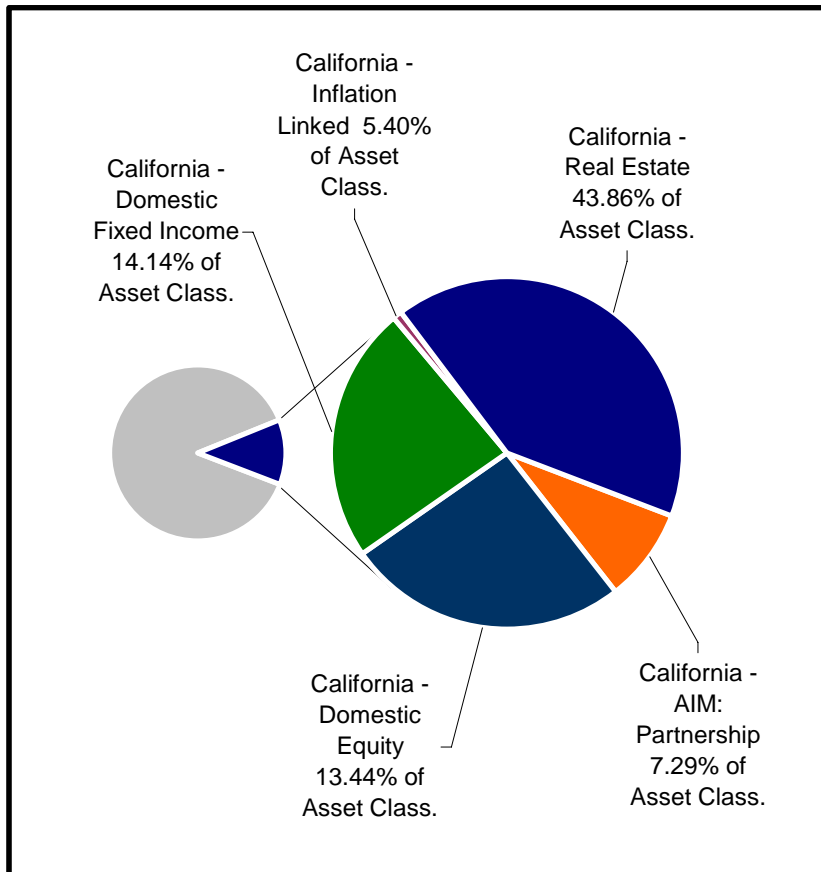
| Private Market Commitment as of October 31, 2008 |                 |              |              |  |  |                 |              |              |  |
|--|-----------------|--------------|--------------|--|--|-----------------|--------------|--------------|--|
| AIM  |                 |              |              |  | Real Estate                                |                 |              |              |  |
| Funded   | \$(in Billions) | % Allocation | Target Range |  | Funded                                     | \$(in Billions) | % Allocation | Target Range |  |
| Fair Market Value (FMV)                          | \$26.06         | 13.96%       | 7-13%        |  | Fair Market Value (FMV)                    | \$20.86         | 11.17%       | 7-13%        |  |
| Unfunded Commitment                              | \$24.70         | 13.23%       |              |  | Unfunded Commitment (as of 9/30/08)        | \$13.22         | 7.08%        |              |  |
| Fair Market Value plus Unfunded Commitment       | \$50.76         | 27.19%       |              |  | Fair Market Value plus Unfunded Commitment | \$34.07         | 18.25%       |              |  |
| Infrastructure                                   |                 |              |              |  | Forestland                                 |                 |              |              |  |
| Funded   | \$(in Billions) | % Allocation | Target Range |  | Funded                                     | \$(in Billions) | % Allocation | Target Range |  |
| Fair Market Value (FMV)                          | \$ .15          | 0.08%        | 0-3%         |  | Fair Market Value (FMV)                    | \$2.31          | 1.24%        | 0-2%         |  |
| Unfunded Commitment (as of 9/30/08)              | \$ .24          | 0.13%        |              |  | Unfunded Commitment (as of 9/30/08)        | \$ .18          | 0.09%        |              |  |
| Fair Market Value plus Unfunded Commitment       | \$ .39          | 0.21%        |              |  | Fair Market Value plus Unfunded Commitment | \$2.49          | 1.33%        |              |  |

## CalPERS Investments in the State of California – October 31, 2008

The State of California offers CalPERS a number of attractive investment opportunities. The following charts summarize the investments by asset class as of the date of this report. A detailed report on California investments is available in the supplemental reporting document.

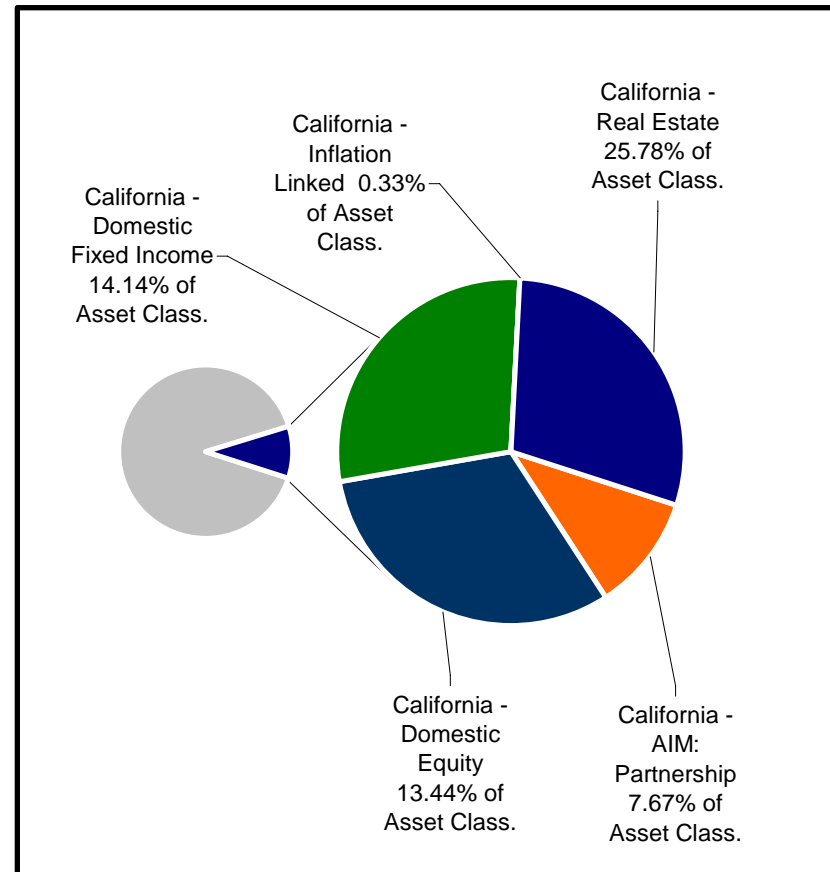
### California Investments plus Additional Commitments

Current California Commitments at 10/31/2008 Total Fund %: 11.91%



### California Investments

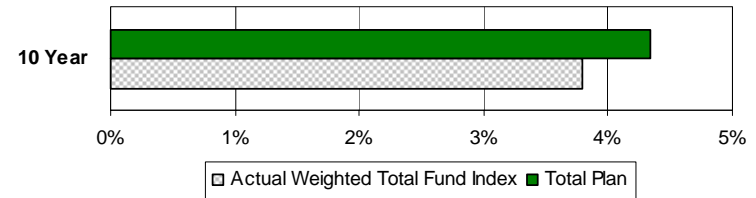
Current California Investments at 10/31/2008 Total Fund %: 9.85%



## Performance Summary – October 31, 2008

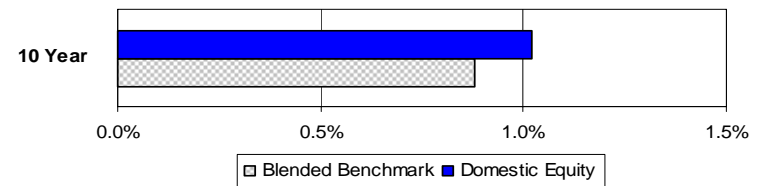
### Total Plan:

Net Total Fund returns have outperformed the Actual Weighted Total Fund Index in all time frames except for the fiscal year-to-date period. Ten-year net returns were 4.34% versus 3.80% for the actual weighted index.



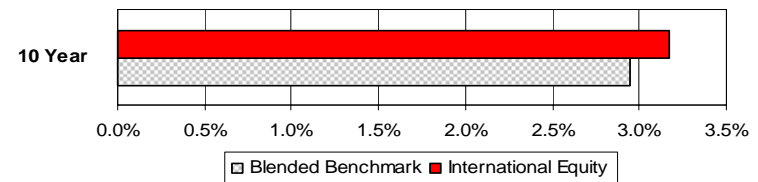
### Domestic Equity:

Net Domestic Equity returns have underperformed in all time periods except the ten-year period. Ten-year net returns were 1.02% versus 0.88% for the blended benchmark.



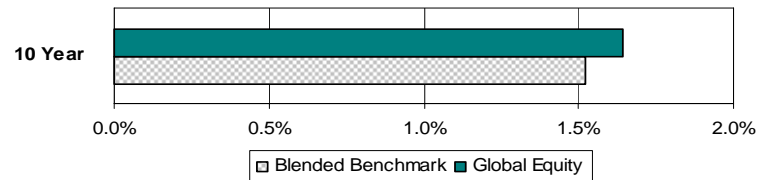
### International Equity:

Net International Equity returns have outperformed the Blended Index in all time periods except for the three-year period. Ten-year net returns were 3.17% versus 2.95% for the blended benchmark.



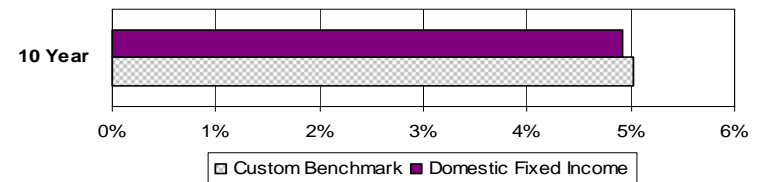
### Global Equity:

Net Total Global Equity underperformed its benchmark in all time periods except the one-month and ten-year period. Ten-year net returns were 1.64% versus the 1.52% blended benchmark return.



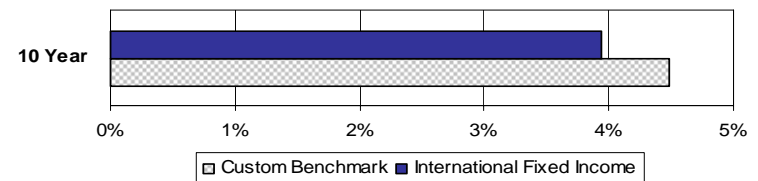
### Domestic Fixed Income:

Net Domestic Fixed Income returns have underperformed the benchmark in all time periods. Ten-year net returns were 4.91% versus 5.03% for the benchmark.



### International Fixed Income:

Net International Fixed Income returns have underperformed the benchmark in all time periods. Ten-year net returns were 3.94% versus 4.48% for the benchmark.



## Performance Summary – October 31, 2008

### Global Fixed Income:

Net Global Fixed Income returns have underperformed the benchmark in all periods. Ten-year net returns were 4.81% versus 4.91% for the benchmark.

### AIM Composite:

Net returns for the AIM Composite portfolio have exceeded the custom blended benchmark in all periods. Ten-year net returns for the AIM Composite were 10.86% exceeding the ten-year custom blended benchmark return of 5.64%.

### Real Estate:

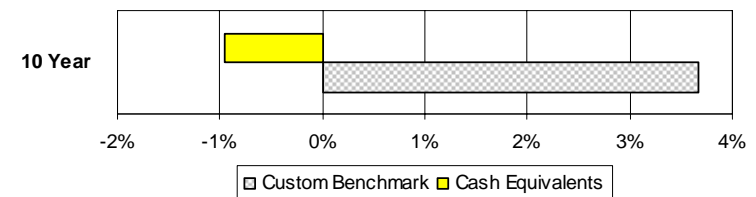
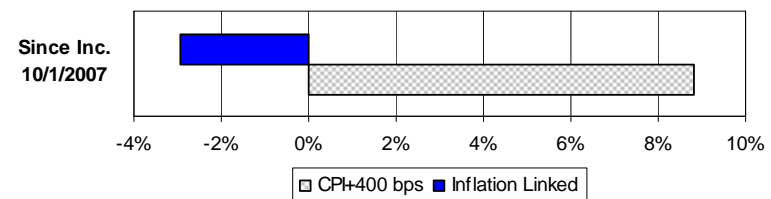
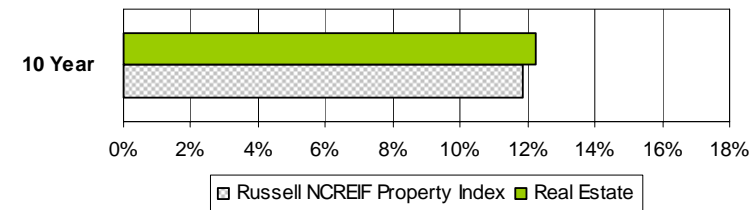
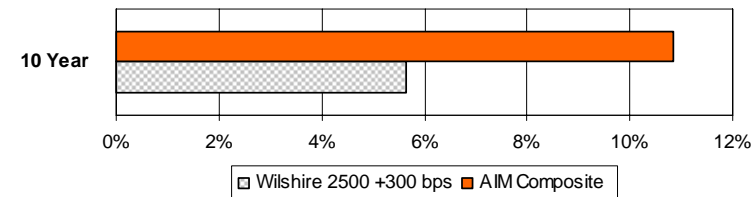
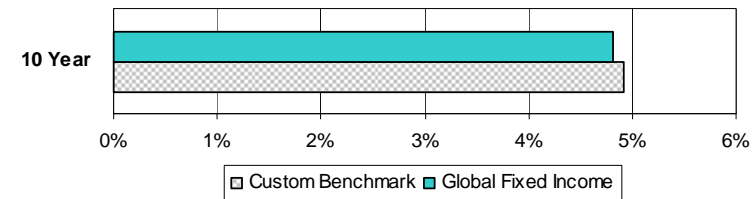
Net returns for the Total Real Estate Portfolio have underperformed the benchmark in the quarter, fiscal year-to-date, one-, and three-year time periods. It outperformed in the one-month, five- and ten-year periods. Ten-year net returns were 12.23% versus 11.86% for the benchmark.

### Inflation Linked:

Net returns for the Inflation Linked portfolio have underperformed the benchmark in all time periods. Since inception net returns were -2.94% versus 8.82% for the benchmark.

### Cash Equivalents:

Net returns for the Cash Equivalents portfolio have underperformed the benchmark in the all time periods. Ten-year net returns were -0.95% versus 3.66% for the custom benchmark.



# CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Periods Ending October 31, 2008

## CIO SUMMARY REPORT - GROSS

|   | % of Plan | MKT VAL \$(000's) | 1 MO   | QTR    | FYTD   | 1 YR   | 3 YRS  | 5 YRS | 10 YRS |
|---|-----------|-------------------|--------|--------|--------|--------|--------|-------|--------|
| <b>TOTAL DOMESTIC EQUITY</b>                    | 22.9      | 42,767,152        | -18.37 | -25.63 | -26.55 | -37.64 | -5.97  | 0.06  | 1.05   |
| <i>WILSHIRE 2500 EX TOBACCO (BLENDED)</i>       |           |                   | -17.69 | -24.33 | -25.04 | -36.49 | -5.22  | 0.53  | 0.88   |
| <b>TOTAL INTL EQUITY</b>                        | 17.5      | 32,608,189        | -21.51 | -35.98 | -38.15 | -47.47 | -4.25  | 4.92  | 3.23   |
| <i>CALPERS FTSE ALL-WORLD EX US</i>             |           |                   | -22.17 | -36.89 | -39.03 | -48.25 | -4.11  | 4.80  | 2.95   |
| <b>TOTAL GLOBAL EQUITY</b>                      | 40.4      | 75,375,445        | -19.81 | -30.26 | -31.80 | -42.08 | -5.72  | 1.51  | 1.68   |
| <i>TOTAL GLOBAL EQ EX AIM BENCHMARK</i>         |           |                   | -20.25 | -29.66 | -30.89 | -41.38 | -5.18  | 1.73  | 1.52   |
| <b>TOTAL DOMESTIC FIXED INCOME</b>              | 19.8      | 36,900,937        | -5.44  | -9.23  | -10.33 | -8.72  | 0.97   | 2.91  | 4.92   |
| <i>CALPERS CUSTOM LEH LPF (DAILY)</i>           |           |                   | -5.41  | -6.62  | -6.91  | -4.00  | 2.09   | 3.24  | 5.03   |
| <b>TOTAL INTL FIXED INCOME</b>                  | 2.2       | 4,066,578         | -4.42  | -10.13 | -9.90  | -3.38  | 3.77   | 4.32  | 4.01   |
| <i>CALPERS WORLD GOVT X US</i>                  |           |                   | -2.43  | -6.87  | -6.56  | 0.09   | 5.24   | 5.02  | 4.48   |
| <b>TOTAL GLOBAL FIXED INCOME</b>                | 21.9      | 40,968,178        | -5.36  | -9.31  | -10.30 | -8.13  | 1.27   | 3.11  | 4.83   |
| <i>CALPERS TOTAL GBL FIXED INCOME POLICY</i>    |           |                   | -5.17  | -6.63  | -6.88  | -3.67  | 2.42   | 3.43  | 4.91   |
| <b>TOTAL AIM COMPOSITE</b>                      | 14.0      | 26,060,924        | -1.77  | -2.44  | -4.06  | 2.76   | 16.05  | 17.77 | 10.87  |
| <i>WILSHIRE 2500 PLUS 300 BPS EX TOBACCO</i>    |           |                   | -17.44 | -23.71 | -24.24 | -34.51 | -1.95  | 4.61  | 5.64   |
| <i>CUSTOM YOUNG FUND</i>                        |           |                   | 0.61   | 1.85   | 2.48   | 10.29  | 15.27  | 15.60 | 5.80   |
| <b>TOTAL REAL ESTATE</b>                        | 11.2      | 20,859,574        | -1.81  | -14.99 | -14.96 | -14.81 | 9.72   | 18.33 | 14.81  |
| <i>90% NPI+200 BPS/10% FTSE EPRA NAREIT GBL</i> |           |                   | -2.64  | -2.96  | -2.74  | 5.62   | 13.69  | 13.96 | 11.86  |
| <b>TOTAL INFLATION LINKED</b>                   | 2.0       | 3,702,165         | -11.31 | -17.24 | -20.79 | -7.04  |        |       |        |
| <i>CPI+400 BPS 1 MONTH LAGGED</i>               |           |                   | 0.19   | 0.97   | 2.29   | 8.95   |        |       |        |
| <b>TOTAL CASH EQUIVALENTS</b>                   | 8.8       | 16,438,289        | -22.53 | -30.56 | -31.13 | -37.30 | -10.96 | -5.92 | -0.95  |
| <i>PERS CUSTOM STIF NET OF FEES</i>             |           |                   | 0.18   | 0.60   | 0.81   | 3.19   | 4.47   | 3.45  | 3.66   |
| <b>TOTAL FUND</b>                               | 100.0     | 186,678,740       | -11.95 | -20.12 | -21.43 | -27.32 | -0.31  | 4.67  | 4.53   |
| <i>CALPERS POLICY INDEX</i>                     |           |                   | -12.62 | -19.02 | -19.88 | -25.46 | -0.01  | 4.33  | 3.92   |
| <i>ACTUAL WEIGHTED TOTAL FUND INDEX</i>         |           |                   | -13.50 | -20.39 | -21.34 | -27.74 | -0.73  | 3.86  | 3.80   |

Equity (SH4KA1, SHAKA1, SWZLA1); Fixed Income (SJDKA1, SJDCA1, SJEKA1)

AIM (SJAIM); Real Estate 1 QTR Lagged (SJRKA1)

Inflation Linked (SX2CA1); Cash Equivalents (SJVKE1); Total Fund (SJ1CA1)

Currency Overlay is not included in Global Equity. CPI return is estimated.

# CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Periods Ending October 31, 2008

## CIO SUMMARY REPORT - NET

|   | % of Plan | MKT VAL \$(000's) | 1 MO   | QTR    | FYTD   | 1 YR   | 3 YRS  | 5 YRS | 10 YRS |
|---|-----------|-------------------|--------|--------|--------|--------|--------|-------|--------|
| <b>TOTAL DOMESTIC EQUITY</b>                    | 22.9      | 42,767,152        | -18.37 | -25.64 | -26.57 | -37.69 | -6.02  | 0.02  | 1.02   |
| <i>WILSHIRE 2500 EX TOBACCO (BLENDED)</i>       |           |                   | -17.69 | -24.33 | -25.04 | -36.49 | -5.22  | 0.53  | 0.88   |
| <b>TOTAL INTL EQUITY</b>                        | 17.5      | 32,608,189        | -21.51 | -35.99 | -38.16 | -47.50 | -4.31  | 4.85  | 3.17   |
| <i>CALPERS FTSE ALL-WORLD EX US</i>             |           |                   | -22.17 | -36.89 | -39.03 | -48.25 | -4.11  | 4.80  | 2.95   |
| <b>TOTAL GLOBAL EQUITY</b>                      | 40.4      | 75,375,445        | -19.81 | -30.27 | -31.82 | -42.12 | -5.78  | 1.46  | 1.64   |
| <i>TOTAL GLOBAL EQ EX AIM BENCHMARK</i>         |           |                   | -20.25 | -29.66 | -30.89 | -41.38 | -5.18  | 1.73  | 1.52   |
| <b>TOTAL DOMESTIC FIXED INCOME</b>              | 19.8      | 36,900,937        | -5.44  | -9.23  | -10.33 | -8.72  | 0.96   | 2.90  | 4.91   |
| <i>CALPERS CUSTOM LEH LPF (DAILY)</i>           |           |                   | -5.41  | -6.62  | -6.91  | -4.00  | 2.09   | 3.24  | 5.03   |
| <b>TOTAL INTL FIXED INCOME</b>                  | 2.2       | 4,066,578         | -4.43  | -10.15 | -9.93  | -3.46  | 3.70   | 4.25  | 3.94   |
| <i>CALPERS WORLD GOVT X US</i>                  |           |                   | -2.43  | -6.87  | -6.56  | 0.09   | 5.24   | 5.02  | 4.48   |
| <b>TOTAL GLOBAL FIXED INCOME</b>                | 21.9      | 40,968,178        | -5.36  | -9.31  | -10.30 | -8.13  | 1.26   | 3.09  | 4.81   |
| <i>CALPERS TOTAL GBL FIXED INCOME POLICY</i>    |           |                   | -5.17  | -6.63  | -6.88  | -3.67  | 2.42   | 3.43  | 4.91   |
| <b>TOTAL AIM COMPOSITE</b>                      | 14.0      | 26,060,924        | -1.77  | -2.44  | -4.06  | 2.76   | 16.04  | 17.75 | 10.86  |
| <i>WILSHIRE 2500 PLUS 300 BPS EX TOBACCO</i>    |           |                   | -17.44 | -23.71 | -24.24 | -34.51 | -1.95  | 4.61  | 5.64   |
| <i>CUSTOM YOUNG FUND</i>                        |           |                   | 0.61   | 1.85   | 2.48   | 10.29  | 15.27  | 15.60 | 5.80   |
| <b>TOTAL REAL ESTATE</b>                        | 11.2      | 20,859,574        | -1.81  | -15.25 | -15.22 | -16.19 | 6.77   | 14.32 | 12.23  |
| <i>90% NPI+200 BPS/10% FTSE EPRA NAREIT GBL</i> |           |                   | -2.64  | -2.96  | -2.74  | 5.62   | 13.69  | 13.96 | 11.86  |
| <b>TOTAL INFLATION LINKED</b>                   | 2.0       | 3,702,165         | -11.31 | -17.28 | -20.83 | -7.57  |        |       |        |
| <i>CPI+400 BPS 1 MONTH LAGGED</i>               |           |                   | 0.19   | 0.97   | 2.29   | 8.95   |        |       |        |
| <b>TOTAL CASH EQUIVALENTS</b>                   | 8.8       | 16,438,289        | -22.53 | -30.56 | -31.13 | -37.30 | -10.96 | -5.92 | -0.95  |
| <i>PERS CUSTOM STIF NET OF FEES</i>             |           |                   | 0.18   | 0.60   | 0.81   | 3.19   | 4.47   | 3.45  | 3.66   |
| <b>TOTAL FUND</b>                               | 100.0     | 186,678,740       | -11.95 | -20.15 | -21.47 | -27.45 | -0.54  | 4.40  | 4.34   |
| <i>CALPERS POLICY INDEX</i>                     |           |                   | -12.62 | -19.02 | -19.88 | -25.46 | -0.01  | 4.33  | 3.92   |
| <i>ACTUAL WEIGHTED TOTAL FUND INDEX</i>         |           |                   | -13.50 | -20.39 | -21.34 | -27.74 | -0.73  | 3.86  | 3.80   |

Equity (SH4KA1, SHAKA1, SWZLA1); Fixed Income (SJDKA1, SJDCA1, SJEKA1)

AIM (SJA1M); Real Estate 1 QTR Lagged (SJRKA1)

Inflation Linked (SX2CA1); Cash Equivalents (SJVKE1); Total Fund (SJ1CA1)

Currency Overlay is not included in Global Equity. CPI return is estimated.

## Operations/Policy Violations /Activity Reports

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### Closed Session Transactions

- There were two (2) closed session transaction reported to the Board in Open Session per the requirements of California Government Code Section 20191.5 and the current CalPERS Board of Administration Statement of Policy & Procedures for Closed Sessions.

### Investment Policy Violations

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- According to policy requirements, the following is a summary of investment policy violations extracted from the quarterly reports prepared for Investment Committee consideration. Executive Summaries and full reports are available in the Supplemental Reporting Document.

#### Global Equity

| Report Containing Violation | Violation Description |
|-----------------------------|-----------------------|
| No items to report          |                       |

#### Fixed Income

| Report Containing Violation                  | Violation Description   |
|--|---|
| Securities Lending Earnings Quarterly Report | <p>During the third quarter of the calendar year, two positions in the external cash reinvestment portfolio (eSecLending ) were downgraded:</p> <ul style="list-style-type: none"><li>Credit Card ABS of Washington Mutual was downgraded to A1 / AA by Moody's and S&amp;P, resulting in a violation of the policy requirement of a minimum Asset Backed Security rating of Aaa/AAA/AAA;</li><li>Corporate Floating Rate Notes of AIG was downgraded to A1 / A- by Moody's and S&amp;P, resulting in a violation of the policy requirement of a minimum Floating and Variable Rate Security rating of Aa2/AA/AA.</li></ul> <p>Staff has reviewed the Washington Mutual and AIG holdings and concluded that holding to maturity would maximize the value of both positions.</p> <p>Additionally, eSecLending violated the repurchase counterparty diversification requirement on two separate occasions. In both instances, market volatility combined with a lack of supply from alternative high quality counterparties resulted in eSecLending exceeding the 25% diversification requirement for holdings of repurchase agreements. Both violations were cured within the reporting period.</p> <p><b>Continuing Violations:</b></p> <p>Two Auto ABS securities and three Corporate Notes purchased and held externally violated the policy requirement when they were downgraded by Moody's and S&amp;P. Staff is working with the manager to maximize value on these holdings and will update the Board accordingly.</p> |

## Operations/Policy Violations /Activity Reports

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### Investment Policy Violations (cont.):

#### Real Estate

| Report Containing Violation                              | Violation Description   |
|--|---|
| Quarterly Performance Report (Quarter End June 30, 2008) | The Core Real Estate exposure in the Midwest region exceeded its target range by 7.97%. Additionally, Core Real Estate exposure in the South Region fell below its target range by 5.87%. |

#### AIM

| Report Containing Violation | Violation Description |
|-----------------------------|-----------------------|
| No items to report          |                       |

#### Inflation Linked Assets

| Report Containing Violation | Violation Description |
|-----------------------------|-----------------------|
| No items to report          |                       |

#### Cash Equivalents

| Report Containing Violation | Violation Description |
|-----------------------------|-----------------------|
| No items to report          |                       |

#### Supplemental Income Plans

| Report Containing Violation | Violation Description |
|-----------------------------|-----------------------|
| No items to report          |                       |

## Operations/Policy Violations /Activity Reports

### Activity Reports

- Staff prepares activity reports for the AIM, Real Estate, Risk Managed Absolute Return Strategies, Corporate Governance and Inflation Linked Asset Class Programs. Detailed reports and investment summaries for these programs are included in the supplemental reporting document.

#### AIM Activity Report

| Activity                                | Month | 2005 | 2006 | 2007 | 2008 YTD | Since Inception |
|---|-------|------|------|------|----------|-----------------|
| Investment Proposals Entered            | 10    | 316  | 300  | 442  | 292      | 7,220           |
| Declined/Referred/Failed to Materialize | 8     | 429  | 268  | 388  | 282      | 5,901           |
| Deals in Screening                      | 26    | 319  | 300  | 442  | 292      | 4,253           |
| Due Diligence Reviews                   | 9     | 59   | 61   | 75   | 28       | 762             |

#### Real Estate Investments Activity Report

| Activity                                | Month | 2005 | 2006 | 2007 | 2008 YTD | Since Inception * |
|---|-------|------|------|------|----------|-------------------|
| Investment Proposals Entered            | 6     | N/A  | N/A  | N/A  | 127      | 127               |
| Declined/Referred/Failed to Materialize | 0     | N/A  | N/A  | N/A  | 111      | 111               |
| Deals in Screening                      | 13    | N/A  | N/A  | N/A  | 18       | 18                |
| Due Diligence Reviews                   | 0     | N/A  | N/A  | N/A  | 3        | 3                 |
| * As of January 2, 2008                 |       |      |      |      |          |                   |

#### Risk Managed Absolute Return Strategies Program Activity Report

| Activity                                | Month | 2005  | 2006    | 2007    | 2008 YTD | Since Inception |
|---|-------|-------|---------|---------|----------|-----------------|
| Investment Proposals Entered            | 9     | 59    | 69      | 90      | 98       | 814             |
| Declined/Referred/Failed to Materialize | 0     | 7     | 1       | 0       | 0        | 243             |
| Deals in Screening                      | 9     | 58    | 68      | 90      | 98       | 559             |
| Due Diligence Reviews                   | 9     | 58    | 68      | 90      | 98       | 559             |
| Allocations Approved by RMARS Board     | 0     | 18    | 52      | 66      | 31       | 206             |
| New ARD Funds Approved by RMARS Board   | 0     | 7     | 9       | 8       | 3        | 44              |
| Funded Investments (\$ Millions)        | \$180 | \$783 | \$1,809 | \$2,499 | \$1,069  | \$6,889         |

#### Corporate Governance Activity Report

| Activity                                | Month | 2005 | 2006 | 2007 | 2008 YTD* | Since Inception * |
|---|-------|------|------|------|-----------|-------------------|
| Investment Proposals Entered            | 0     | N/A  | N/A  | N/A  | 6         | 6                 |
| Declined/Referred/Failed to Materialize | 1     | N/A  | N/A  | N/A  | 6         | 6                 |
| Deals in Screening                      | N/A   | N/A  | N/A  | N/A  | N/A       | N/A               |
| Due Diligence Reviews                   | 8     | N/A  | N/A  | N/A  | 12        | 12                |
| * As of April 1, 2008                   |       |      |      |      |           |                   |

## Operations/Policy Violations /Activity Reports

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### Activity Reports (cont.):

#### Inflation Linked Asset Class Activity Report

| Activity                                | Month | 2005 | 2006 | 2007 | 2008 YTD | Since Inception |
|---|-------|------|------|------|----------|-----------------|
| Investment Proposals Entered            | 7     | N/A  | N/A  | 12   | 62       | 74              |
| Declined/Referred/Failed to Materialize | 6     | N/A  | N/A  | N/A  | 14       | 14              |
| Deals in Screening                      | 0     | N/A  | N/A  | N/A  | 7        | 7               |
| Due Diligence Reviews                   | 0     | N/A  | N/A  | N/A  | 8        | 8               |

## Quarterly Reports

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According to policy requirements, the following is summary information extracted from the quarterly reports prepared for Investment Committee consideration. Executive Summaries and full reports are available in the Supplemental Reporting Document.

### **Corporate Governance Co-Investment Program Performance Review Quarterly Report:**

#### **Summary**

This item addresses the performance of the Corporate Governance Co-Investment Program (the Program). The Program manages \$682 million of assets as of September 30, 2008. The objectives of the Program are:

- Produce a positive alpha through the generation of superior investment returns with co-investment opportunities.
- Identify new co-investment opportunities to take advantage of innovative and sustainable investment strategies.

The portfolio managed within the Program tends to be very concentrated with few holdings, and has a very deep “value” style bias. The portfolio positions taken are limited to those situations where the external partners believe an engagement process can affect positive investment returns.

#### **Performance**

There are six positions in the Corporate Governance Co-Investment Program’s portfolio. The long-term performance results relative to the benchmark are excellent where the 1-year and since inception numbers demonstrate positive value added of 4.05% and 10.28% respectively.

## Quarterly Reports

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### Securities Lending Earnings Quarterly Report:

Earnings for the quarter ended September 30, 2008, are presented to the Investment Committee for information.

|  | <b>Average<br/>Lendable<br/>Assets<br/>(\$000)</b> | <b>Average %<br/>on Loan</b> | <b>Earnings<br/>(Annualized)</b> | <b>Income to<br/>CalPERS<br/>(\$000)</b> |
|--|--|------------------------------|----------------------------------|--|
| <b>Asset Class Earnings</b>                                |  |                              |                                  |  |
| Global Equities  | \$82,926,597                                       | 30%                          | 18 bp                            | \$34,878                                 |
| Global Fixed Income  | \$25,636,330                                       | 43%                          | 8 bp                             | \$4,201                                  |
| <b>Totals</b>  | \$108,562,927                                      |                              |                                  | \$39,079                                 |
| <b>Unrealized loss on internal collateral reinvestment</b> |  |                              |                                  | (\$229,961) *                            |
| <b>Total Program Earnings including unrealized loss</b>    |  |                              |                                  | (\$190,882)                              |

\*Unrealized losses resulted from CalPERS use of mark-to-market accounting on the valuation of the internal cash pool, which is not market convention on collateral reinvestment pools.

## Quarterly Reports

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### Supplemental Income Plans Quarterly Report:

CalPERS 457 Plan - During the 3<sup>rd</sup> quarter ending September 30, 2008, the CalPERS 457 Plan experienced a \$32.0 million or 4.5% net decrease in assets for a total of \$679.8 million. During the same quarter, participant enrollment increased from 27,381 to 27,827 for a net increase of 446 participants; and, an increase of 11 new agency adoptions for a total of 665 contracting agencies.

State Peace Officers' and Firefighters' Defined Contribution Plan (POFF) -

For the 3<sup>rd</sup> quarter ending September 30, 2008 the POFF Plan assets decreased 3.0% from \$347.8 million to \$337.5 million. The number of participants increased by 580 for a total of 41,050.

Supplemental Contributions Plan (SCP) - The SCP assets decreased 9.0% from \$21.1 million to \$19.2 million during 3<sup>rd</sup> quarter ending September 30, 2008. The number of participants decreased by 0.7% from 732 to 727.

## Investment Transactions

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Investment Transactions are reported to the Investment Committee for review under the requirements of California Government Code Section 20191. Information is provided in summary format in this consolidated document. Full reporting is available in the supplemental reporting document.

### **Portfolio Summary and Transactions Report:**

- Purchases – Internal Management (Page 20)
- Sales – Internal Management (Page 21)
- Currency Hedge Portfolio Summary (Page 22)
- Currency Hedge Portfolio Transactions (Page 22)

### **Investment Transaction Information: (full reporting is available in the supplemental reporting document)**

- Domestic Fixed Income Transactions
- International Fixed Income Transactions
- Domestic Equity Transactions
- International Equity Transactions
- Real Estate Investment Trust (REIT) Transactions
- AIM Program Transactions
  - Summary Listing of Capital Calls and Aggregate Distributions
- AIM Program Items Completed Under Delegation of Authority
  - Investment Summaries
    - Carlyle Global Financial Services Partners, L.P., \$150 million commitment
- Real Estate Equity Transactions
  - Dispositions Summaries
    - Buchanan Street Partners – Montecito Medical Office Portfolio, CalPERS equity share \$31,900,965.00
  - Acquisitions Summaries
    - CalEAST – FedEx Ground Leases, CalPERS equity share \$3,681,984.00
    - CalEAST – YRC Logistics, CalPERS equity share \$9,233,480.00
    - BRIDGE – South Bernardo Apartments, CalPERS equity share \$14,274,559.00
    - Kennedy Associated Real Estate Counsel – 185 Franklin, CalPERS equity share \$116,985,042.00
- Real Estate Opportunistic Investments
  - Investment Summaries
    - No items to report
- Real Estate Program Items Completed Under Delegation of Authority
  - Investment Summaries
    - No Items to Report
- Risk Managed Absolute Return Strategies Program Transactions
  - Summary Listing of Investments and Redemptions
- Risk Managed Absolute Return Strategies Program Items Completed Under Delegation of Authority
  - Investment Summaries
    - No Items to Report

## Investment Transactions

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### **Investment Transaction Information (continued):** [\(full reporting is available in the supplemental reporting document\)](#)

- Inflation Linked Assets Transactions
  - Summary Listing of Investments and Redemptions
- Inflation Linked Assets Items Completed Under Delegation of Authority
  - Investment Summaries
    - No Items to Report
- Corporate Governance Program Items Completed Under Delegation of Authority
  - Investment Summaries
    - No Items to Report
- Internally Managed Derivative Transactions Summary
  - Investment Summaries
    - Futures purchases: \$10,357.3 million notional
    - Futures sales: \$9,985.0 million notional

## Portfolio Summary and Transactions

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### INVESTMENT TRANSACTIONS SUMMARY

(\$ Millions)

September 2008

#### PURCHASES

|  | <u>COST</u>              | <u>%OF<br/>PURCHASES</u> |
|--|--------------------------|--------------------------|
| <b><u>EQUITIES:</u></b>                |                          |                          |
| Domestic                               | \$2,714.8                | 17.60%                   |
| International                          | <u>\$3,102.1</u>         | <u>20.11%</u>            |
| Total                                  | \$5,816.9                | 37.70%                   |
| <b><u>FIXED INCOME:</u></b>            |                          |                          |
| Domestic                               | \$3,994.3                | 25.89%                   |
| International                          | <u>\$1,287.9</u>         | <u>8.35%</u>             |
| Total                                  | \$5,282.2                | 34.23%                   |
| <b><u>ALTERNATIVE INVESTMENTS:</u></b> |                          |                          |
| Partnership Component                  | \$1,122.0                | 7.27%                    |
| <b><u>REAL ESTATE:</u></b>             |                          |                          |
| Real Estate Equity                     | \$200.7                  | 1.30%                    |
| <b><u>INFLATION LINKED ASSETS:</u></b> |                          |                          |
| Inflation Linked                       | \$3,007.6                | 19.49%                   |
| <b>TOTAL PURCHASES:</b>                | <u><u>\$15,429.4</u></u> | <u><u>100%</u></u>       |

## Portfolio Summary and Transactions

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### INVESTMENT TRANSACTIONS SUMMARY

(\$ Millions)

September 2008

#### SALES

|  | <u>COST</u>            | <u>PROCEEDS</u>        | <u>GAIN/<br/>LOSS</u> |
|--|------------------------|------------------------|-----------------------|
| <b><u>EQUITIES:</u></b>                |                        |                        |                       |
| Domestic                               | 2,385.7                | 2,342.9                | -42.8                 |
| International                          | <u>4,419.1</u>         | <u>4,016.6</u>         | <u>-402.5</u>         |
| Total                                  | 6,804.8                | 6,359.5                | -445.3                |
| <b><u>FIXED INCOME:</u></b>            |                        |                        |                       |
| Domestic                               | 5,932.1                | 5,952.9                | 20.8                  |
| International                          | <u>1,407.0</u>         | <u>1,385.6</u>         | <u>-21.4</u>          |
| Total                                  | 7,339.1                | 7,338.5                | -0.6                  |
| <b><u>ALTERNATIVE INVESTMENTS:</u></b> |                        |                        |                       |
| Partnership Component                  | 4.5                    | 4.5                    | 0.0                   |
| <b><u>REAL ESTATE:</u></b>             |                        |                        |                       |
| Real Estate Equity                     | 104.7                  | 84.5                   | -20.2                 |
| <b><u>INFLATION LINKED ASSETS:</u></b> |                        |                        |                       |
| Inflation Linked                       | 2,972.7                | 2,947.9                | -24.8                 |
| <b>TOTAL SALES:</b>                    | <b><u>12,806.7</u></b> | <b><u>12,718.3</u></b> | <b><u>-88.4</u></b>   |

## Portfolio Summary and Transactions

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### CURRENCY HEDGE PORTFOLIO SUMMARY

(\$ Millions)

September 2008

| <b><u>PENDING FX CONTRACTS</u></b> | <b><u>COST</u></b> | <b><u>MARKET VALUE</u></b> |
|------------------------------------|--------------------|----------------------------|
| Total FX Purchased                 | \$7,693.7          | \$7,423.3                  |
| Total FX Sold                      | \$13,090.5         | \$12,579.1                 |

### **CURRENCY OPTIONS**

|               |         |         |
|---------------|---------|---------|
| Currency Puts | \$271.8 | \$271.8 |
|---------------|---------|---------|

"For FX purchased, a market value higher than book value means the contracts have an unrealized gain as of the valuation date. For FX sold, a market value lower than book value means the contracts have an unrealized gain as of the valuation date."

### CURRENCY HEDGE TRANSACTION SUMMARY

(\$ Millions)

September 2008

| <b><u>PURCHASES</u></b> | <b><u>COST</u></b>     |
|-------------------------|------------------------|
| Pending FX Contracts    | \$8,770.5              |
| <b><u>SALES</u></b>     | <b><u>PROCEEDS</u></b> |
| Pending FX Contracts    | \$8,248.2              |

## Affiliate Funds Reports

State Street Bank has compiled the following Affiliate Funds Performance Reports for the periods ending October 31, 2008. [\(full reporting is available in the supplemental reporting document\)](#)

### CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Periods Ending October 31, 2008

Affiliate Funds Monthly Performance Summary - Plan Comparison

RATES OF RETURN - Gross

|   | MKT VAL \$(000) | Month  | QTR    | FYTD   | CYTD   | 1 YR   | 3 YRS | 5 YRS | 10 YRS |
|---|-----------------|--------|--------|--------|--------|--------|-------|-------|--------|
| <b>ANNUITANTS HEALTH CARE COVERAGE FUND</b> | 567,855         | -16.83 | -24.38 | -25.09 | -29.43 | -32.14 |       |       |        |
| <i>ANNUITANTS POLICY BENCHMARK(MONTHLY)</i> |                 | -17.35 | -24.35 | -25.22 | -30.63 | -33.77 |       |       |        |
| <b>CALPERS HEALTH CARE BOND FUND</b>        | 355,746         | -3.03  | -4.33  | -5.00  | -4.65  | -2.75  |       |       |        |
| <i>LB AGGREGATE (DAILY)</i>                 |                 | -2.36  | -2.76  | -2.84  | -1.74  | 0.30   |       |       |        |
| <b>JUDGE'S RETIREMENT FUND</b>              | 2,709           | 0.18   | 0.60   | 0.81   | 2.38   | 3.20   | 4.46  | 3.45  | 3.69   |
| <i>91 DAY TREASURY BILL ( DAILY)</i>        |                 | 0.11   | 0.57   | 0.74   | 1.95   | 2.72   | 4.15  | 3.26  | 3.52   |
| <b>JUDGES II FUND</b>                       | 253,504         | -14.91 | -21.40 | -22.47 | -27.00 | -29.51 | -3.35 | -1.95 | 0.96   |
| <i>CAL JUDGES II POLICY INDEX (DAILY)</i>   |                 | -15.18 | -20.75 | -21.39 | -26.12 | -28.71 | -2.23 | 2.11  | 2.83   |
| <b>LEGISLATOR'S RETIREMENT FUND</b>         | 108,526         | -10.26 | -16.15 | -17.34 | -20.61 | -21.06 | -1.51 | -0.92 | 2.08   |
| <i>CAL LRS POLICY INDEX (DAILY)</i>         |                 | -10.76 | -15.29 | -15.98 | -19.05 | -19.50 | -0.69 | 2.50  | 4.03   |
| <b>LONG TERM CARE FUND</b>                  | 1,861,598       | -13.76 | -20.54 | -21.74 | -25.71 | -27.51 | -3.03 | -1.65 | 1.20   |
| <i>CAL LTC POLICY INDEX (DAILY)</i>         |                 | -14.40 | -20.30 | -21.11 | -25.03 | -26.90 | -2.13 | 2.01  | 2.75   |
| <b>CONTINGENCY RESERVE FUND</b>             | 6,043           | 0.18   | 0.60   | 0.81   | 2.38   | 3.20   | 4.47  | 3.46  | 3.69   |
| <i>91 DAY TREASURY BILL ( DAILY)</i>        |                 | 0.11   | 0.57   | 0.74   | 1.95   | 2.72   | 4.15  | 3.26  | 3.52   |
| <b>SUPPLEMENTAL CONTRIBUTION FUND</b>       | 14,248          | -13.98 | -21.38 | -22.54 | -28.98 | -31.16 | -3.77 | -1.96 |        |
| <i>SUPPLEMENTAL POLICY BENCHMARK</i>        |                 | -14.53 | -21.35 | -22.33 | -28.50 | -30.71 | -2.96 | 1.65  |        |

## Affiliate Funds Reports

### CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Periods Ending October 31, 2008

Affiliate Funds Monthly Performance Summary - Plan Comparison

RATES OF RETURN - Net

|   | MKT VAL \$(000) | Month  | QTR    | FYTD   | CYTD   | 1 YR   | 3 YRS | 5 YRS | 10 YRS |
|---|-----------------|--------|--------|--------|--------|--------|-------|-------|--------|
| <b>ANNUITANTS HEALTH CARE COVERAGE FUND</b> | 567,855         | -16.83 | -24.38 | -25.09 | -29.43 | -32.14 |       |       |        |
| <i>ANNUITANTS POLICY BENCHMARK(MONTHLY)</i> |                 | -17.35 | -24.35 | -25.22 | -30.63 | -33.77 |       |       |        |
| <b>CALPERS HEALTH CARE BOND FUND</b>        | 355,746         | -3.03  | -4.33  | -5.00  | -4.65  | -2.75  |       |       |        |
| <i>LB AGGREGATE (DAILY)</i>                 |                 | -2.36  | -2.76  | -2.84  | -1.74  | 0.30   |       |       |        |
| <b>JUDGES' RETIREMENT FUND</b>              | 2,709           | 0.18   | 0.60   | 0.81   | 2.38   | 3.20   | 4.46  | 3.45  | 3.69   |
| <i>91 DAY TREASURY BILL ( DAILY)</i>        |                 | 0.11   | 0.57   | 0.74   | 1.95   | 2.72   | 4.15  | 3.26  | 3.52   |
| <b>JUDGES II FUND</b>                       | 253,504         | -14.91 | -21.40 | -22.47 | -27.00 | -29.51 | -3.35 | -1.95 | 0.96   |
| <i>CAL JUDGES II POLICY INDEX (DAILY)</i>   |                 | -15.18 | -20.75 | -21.39 | -26.12 | -28.71 | -2.23 | 2.11  | 2.83   |
| <b>LEGISLATOR'S RETIREMENT FUND</b>         | 108,526         | -10.26 | -16.15 | -17.34 | -20.61 | -21.06 | -1.51 | -0.92 | 2.08   |
| <i>CAL LRS POLICY INDEX (DAILY)</i>         |                 | -10.76 | -15.29 | -15.98 | -19.05 | -19.50 | -0.69 | 2.50  | 4.03   |
| <b>LONG TERM CARE FUND</b>                  | 1,861,598       | -13.76 | -20.54 | -21.74 | -25.71 | -27.51 | -3.03 | -1.65 | 1.20   |
| <i>CAL LTC POLICY INDEX (DAILY)</i>         |                 | -14.40 | -20.30 | -21.11 | -25.03 | -26.90 | -2.13 | 2.01  | 2.75   |
| <b>CONTINGENCY RESERVE FUND</b>             | 6,043           | 0.18   | 0.60   | 0.81   | 2.38   | 3.20   | 4.47  | 3.46  | 3.69   |
| <i>91 DAY TREASURY BILL ( DAILY)</i>        |                 | 0.11   | 0.57   | 0.74   | 1.95   | 2.72   | 4.15  | 3.26  | 3.52   |
| <b>SUPPLEMENTAL CONTRIBUTION FUND</b>       | 14,248          | -14.02 | -21.48 | -22.60 | -29.20 | -31.43 | -3.92 | -2.06 |        |
| <i>SUPPLEMENTAL POLICY BENCHMARK</i>        |                 | -14.53 | -21.35 | -22.33 | -28.50 | -30.71 | -2.96 | 1.65  |        |